

## ROK Market Brief No.15

## Raw Gold Market

Opportunities under the Korea-Central America  
Free Trade Agreement

The Korea-Central America FTA (K-CA FTA) brings significant benefits for CA exporters. Under the agreement, the Republic of Korea and the Central American countries will immediately or gradually reduce tariff on more than 95 percent of traded products. Such benefit will help CA exporters compete with exporters from other countries which have trade deals with Korea.

This guide provides an overview of the raw gold category that benefit from tariff reductions under the K-CA FTA and have market access.



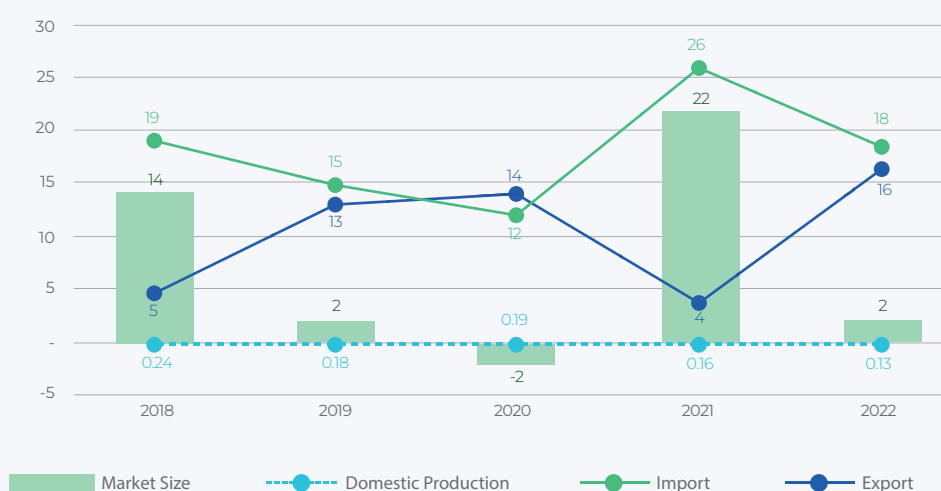
## Market Snapshot

The ROK raw gold market size has shown significant fluctuations both in volume and value from 2018 to 2022. Despite the extreme variation, it can be observed that the market heavily relies on import. In 2021, the import volume accounted for 117% of the total market volume and in 2022, it jumped to 845%.

The export volume also plays a significant role, accounting for 751% in volume and 967% in value in 2022. On the other hand, domestic production is far from significant, accounting for 6.10% in volume and 7.07% in value in 2022.

Figure 1. ROK raw gold market in volume (2018-2022)

(Unit: Ton)

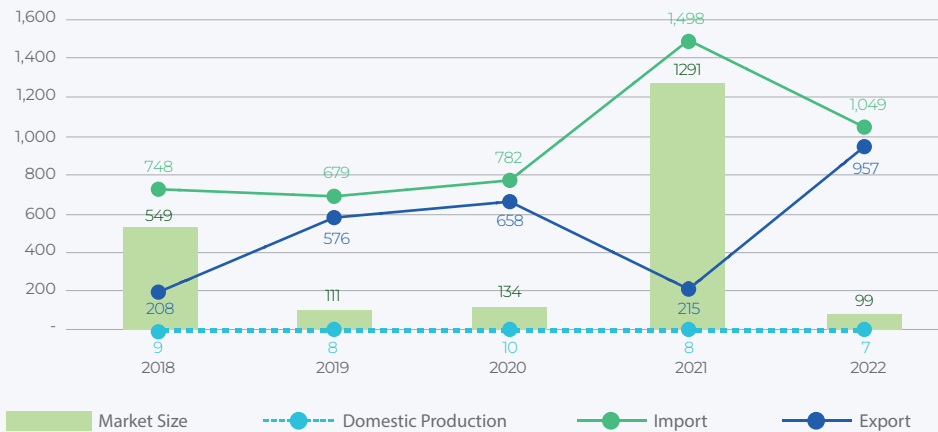


**Source)** Korea Institute of Geoscience and Mineral Resources (2023); Korea Customs Service Import and Export Statistics (2023); Yonhap News (2020); Metal Economic Daily (2021).

**Note)** Market Size = (Domestic production+Import) – Export

Figure 2. ROK raw gold market trend in value (2018-2022)

(Unit: million USD)



**Source)** Korea Institute of Geoscience and Mineral Resources (2023); Korea Customs Service Import and Export Statistics (2023); Yonhap News (2020); Metal Economic Daily (2021).

**Note)** Market Size = (Domestic production+Import) – Export

The significant growth in market size in 2021 can be attributed to the recovery from the pandemic, especially the recovery of the demand for gold for jewelry and industrial usage. However, in 2022, the continuous surge in gold prices and the negative impact of the Ukraine-Russia war led to a downturn in economies and in turn, in demand for gold. Particularly, the slowdown in the semiconductor industry resulted in a substantial decrease in the overall domestic gold demand growth in 2022.

Considering the global recession, the Israel-Hamas conflict, the U.S. Federal Reserve's interest rate policy, and the value of the dollar, it is expected that South Korea's unprocessed gold market for the next 5 years from 2022 to 2027 will grow by less than ten percent both in value and volume. However, given the substantial changes in the market size due to external variables, it is critical to recognize the potential for having significant fluctuations of the raw gold market size in the future.

Tariff rate is subject to variations contingent upon individual agreements with each country and specific item codes. Under the K-CA FTA, all six countries benefit from complete tariff elimination by 2028 on both types of raw gold imported to Korea.

Table 1. Tariff on HS Code 710802 as of 2024

Country	HS Code	Product	WTO bound rate	Current rate (2024)	Elimination of custom duties <sup>1</sup>
Costa Rica	710812.1000	Gold (lumps, billets, pellets) (unprocessed, not for monetary use)	5%	0%	2023.01.01
	710812.9000	Other Gold (unprocessed, not for monetary use)	5%	0%	2023.01.01
El Salvador	710812.1000	Gold (lumps, billets, pellets) (unprocessed, not for monetary use)	5%	0%	2024.01.01
	710812.9000	Other Gold (unprocessed, not for monetary use)	5%	0%	2024.01.01

<sup>1</sup> Effective date of the FTA: Nicaragua and Honduras(Oct. 2019), Costa Rica(Nov. 2019), El Salvador (Jan. 2020), Panama (Mar. 2021), For Guatemala, it is assumed in the report that the FTA will come into effect within the year 2024.

Country	HS Code	Product	WTO bound rate	Current rate (2024)	Elimination of custom duties <sup>1</sup>
Panama	710812.1000	Gold (lumps, billets, pellets) (unprocessed, not for monetary use)	5%	0.6%	2025.01.01
	710812.9000	Other Gold (unprocessed, not for monetary use)	5%	0.6%	2025.01.01
Honduras	710812.1000	Gold (lumps, billets, pellets) (unprocessed, not for monetary use)	5%	0%	2023.01.01
	710812.9000	Other Gold (unprocessed, not for monetary use)	5%	0%	2023.01.01
Nicaragua	710812.1000	Gold (lumps, billets, pellets) (unprocessed, not for monetary use)	5%	0%	2023.01.01
	710812.9000	Other Gold (unprocessed, not for monetary use)	5%	0%	2023.01.01
Guatemala	710812.1000	Gold (lumps, billets, pellets) (unprocessed, not for monetary use)	5%	2.4%	2028.01.01
	710812.9000	Other Gold (unprocessed, not for monetary use)	5%	2.4%	2028.01.01
Australia	710812.1000	Gold (lumps, billets, pellets) (unprocessed, not for monetary use)	5%	0%	2014.12.12
	710812.9000	Other Gold (unprocessed, not for monetary use)	5%	0%	2014.12.12
Japan	710812.1000	Gold (lumps, billets, pellets) (unprocessed, not for monetary use)	5%	3%	-
	710812.9000	Other Gold (unprocessed, not for monetary use)	5%	0%	-

Source) Customs Law Information Portal. (2024); FTA powerhouse, KOREA. (2024); FTA agreement and basic documents

Australia and Japan stand as a dominant force, commanding approximately 85% of total raw gold imports in terms of value in 2022. It is noteworthy that while Australia benefits from 0% tariff rate for both types of raw gold products, Japan is applied of 3% tariff for lumps, billets, and pellets of raw gold as the RCEP agreement excludes this product from any tax reduction or elimination benefits.



## Competitive Landscape

The major suppliers of raw gold to the ROK market are Australia, Japan, and Canada, accounting for 94% of total raw gold imports. The detailed import statistics in volume from 2018 to 2022 is presented in the table below.

**Table 2. Import volume of raw gold per country (2018-2022)**

(Unit: Ton)

	2018	2019	2020	2021	2022
Australia	1	1	3	10	10
Japan	6	5	5	6	6
Canada	3	3	1	5	1
Indonesia	0	0	0	1	1
Switzerland	6	4	1	2	1
Hong Kong	2	2	1	1	0
United States	0	0	0	1	0
Others	1	0	1	0	-1
<b>Total</b>	<b>19</b>	<b>15</b>	<b>12</b>	<b>26</b>	<b>18</b>

Source Customs and Excise Department import and export statistics (2023)

As of 2021, Australia's estimated gold reserve is the largest in the world at more than 10,000 tons and this is 18.9% of global gold reserve, followed by Russia (14.2%) and USA (5.7%). Especially when it comes to the surge witnessed in 2021, it is attributed to the Russia-Ukraine war which caused the rise in raw material prices including gold.



## Consumer Preference

The first demand for gold is jewelry, which accounts for more than half of the total demand. On the other hand, industrial demand is about 10% of the total demand for gold and the remaining demand is for investment purposes by central bank.

Recently, however, due to the growing financial uncertainties such as interest rate hikes, there is increasing interest and preference on investing in gold as a safe asset, especially by younger generation in ROK. According to the Korea Exchange (KRX) on November 2023, the number of gold cash accounts opened by ordinary investors to invest in the KRX gold market exceeded 1.05 million in the first half of the year.

To identify the consumer preference in line with such growing tendency of investing in gold, it is necessary to understand the macroscopic principles that is underlying such trend and preference. The first reason is inflation hedge, and the second reason is because gold is considered as safe asset. The core variables that determine the price of gold are real interest rate and US dollar and this is attributed to the reasons as follow: The real interest rate acts as a measure of comparing the opportunity cost of holding gold, and since gold is usually a dollar-denominated asset, it is sensitive to the movement of the dollar.

Thus, to grasp the consumer preference on gold in light of investment, it is crucial to identify the other correlational variables such as government's interest rate policy, fiscal condition, and/or employment recovery, as the barometer.



## Main Distribution Channels

Currently, Sun Cement is the sole gold (unprocessed) production company in South Korea. Only two gold mines remain in Korea which is owned by Sun Cement, and they are the only firm with production facilities and a workforce. This indicates that the domestic gold production from the mine heavily depends on the output of the Sun Cement mine.

Both domestically mined and imported gold undergo a refining process at domestic non-ferrous metal refining facilities. While processed gold is then supplied to the domestic gold exchange or industrial sectors, unprocessed imported gold is utilized by importers for their own product manufacturing or supplied to other industries and jewelry processing companies. Some of the importers in Korea are listed below.

Table 3. Major ROK importers of raw gold

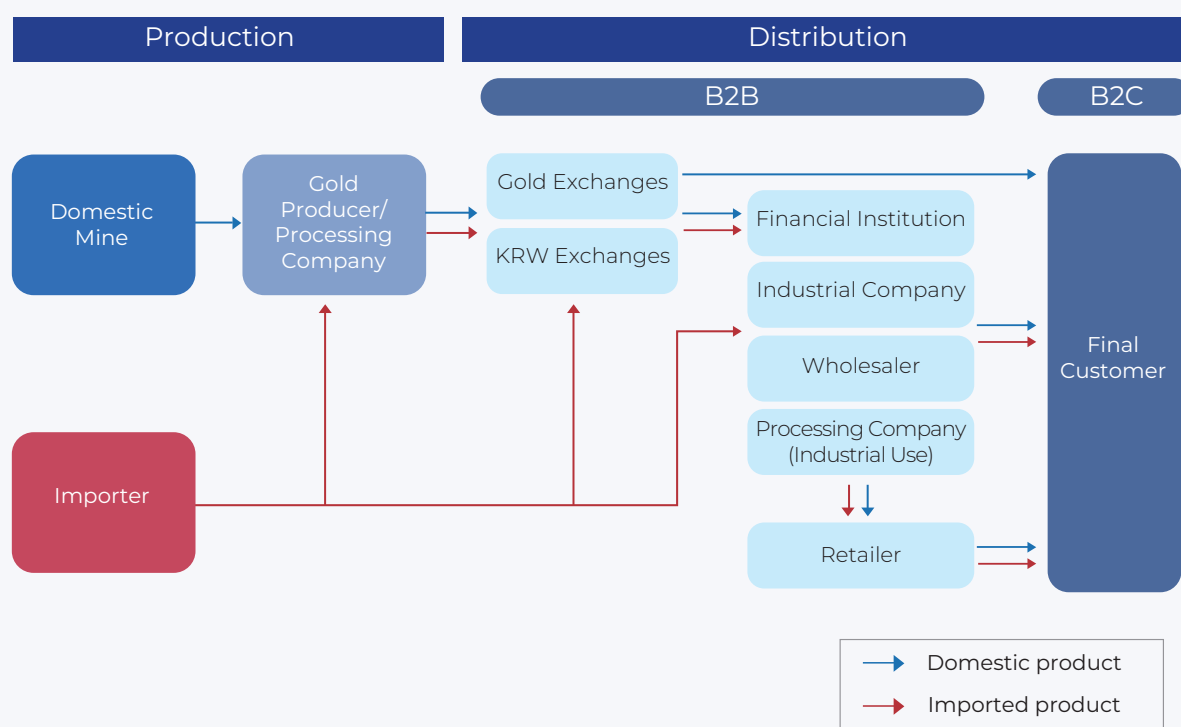
No.	Company name	Enterprise scale	Import value (Unit: million USD)	Industry classification	Major importing countries	Address	Tel	Website
1	LT Metal Co., Ltd.	Midsized business	Exceeds 100	Other electronic component manufacturing	Australia, Japan, Switzerland	14, Gajaeul-ro, Seo-gu, Incheon, Republic of Korea	+82-(0)2-757-7181	www.ltmetal.co.kr
2	Samsung Gold Exchange Co., Ltd.	Midsized business	50 ~ 100	Watch and precious metal products wholesale	Canada, Hong Kong	Unit 801, 26, Donhwamun-ro, Jongno-gu, Seoul, Republic of Korea	+82-(0)2-764-2869	www.samsunggold.co.kr
3	Silla Jewelry Inc.	SMEs	1 ~ 10	Precious metals and related product manufacturing	Japan, Hong Kong	102, Sandangupyeong-gil, Samgi-myeon, Iksan-si, Jeonbuk-do, Republic of Korea	+82-(0)63-833-3310	www.sillajewelry.co.kr
4	Core Jewelry Co., Ltd.	SMEs	1 ~ 10	Precious metals and related product manufacturing	Vietnam, Hong Kong	2F, Unit 201, 144, Ahasan-ro, Seongdong-gu, Seoul, Republic of Korea	+82-(0)2-469-5962	www.corejewel.co.kr
5	Deco Industry	SMEs	1 ~ 10	Precious metals and related product manufacturing	Hong Kong	15-8, Seonhwa-ro 63-gil, Iksan-si, Jeonbuk-do, Republic of Korea	+82-(0)63-833-8435	-

Source) KOIMA (www.koima.or.kr)

Most domestic gold (including processed gold) production comes from the quantities (with a purity of 99.9 percent or higher) produced as by-products by LS MnM and Korea Zinc refineries. The by-products produced by these two refineries undergo self-processing and are directly distributed for industrial or jewelry purposes, which the HS code 710812 category does not include.

Processed gold can also be traded through the Korea Exchange (KRX) gold market which is the only nationally certified gold market in Korea. The Korean government, in line with its gold trading diversification plan, established the KRX gold market in 2014. Within the KRX gold market, gold can be traded for the purpose of investment rather than for industrial or processing needs. The market offers notable tax advantages, including exemptions on duties for qualifying gold imports, exemption of value-added tax, and tax incentives for profits, as well as comprehensive financial income tax benefits associated with trading.

Figure 3. Distribution channel of raw gold in ROK



Source) LS Quarterly Report. (Nov. 2023) ; Korea Zinc Quarterly Report (Nov. 2023) ; and Korea Exchange (2023)



## Regulations

### Import Requirements

Under the laws and regulations of the Republic of Korea, there are no specific import requirements regarding Raw Gold (710812), thereby allowing importation from all countries worldwide.

### Import Process

Raw gold and Concentrates can be imported upon the preparation of shipment documents from the exporting country. Based on the shipping documents, after customs clearance process and payment of customs duties, the imported products could be transferred to the importer.

### Other Obligations and Cautions

In the case of Raw Gold, there is no requirement for indicating the origin country, as it is not a designated item for origin labeling. Additionally, there are no peculiarities to note during the import process.



## SWOT Analysis



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### Strengths

Korea has a vibrant gold sector comprising the widespread availability of physical investment gold through gold dealers and banks, as well as spot and futures trading on the country's primary securities market platform, and in addition a few internationally known refineries producing refined investment gold. Also, ROK has a well-established recycling industry, and it recovers gold from electronic waste, old jewelry, and other sources. This recycled gold contributes significantly to the export figures as well.

Most importantly, the ROK-Central America Free Trade Agreement (K-CA FTA) would further enhance the appeal by eliminating the tariff, providing a competitive edge for potential CA suppliers, and facilitating their entry into the Korean market.

With K-CA FTA, CA exporters are expected to enjoy the full tariff-free status; Raw gold (710812) falls under staging category C which means the tariff elimination will be in 5 stages, evenly each year starting from the effective date of the agreement. The free of customs duty would be effective from 1 January of year 5, and the effective year per each CA country is as follow: Costa Rica (2023), El Salvador (2024), Honduras (2023), Nicaragua (2023), Panama (2025), and Guatemala (2028).



# W

### Weakness

Due to gold's inherent nature, domestic gold prices and demand is vulnerable to various external factors, such as the U.S. Federal Reserve System (FED), the interest rate policies of major countries worldwide, the value of the U.S. dollar (USD), gold buying/selling by central banks globally, increase in international commodity prices, inflation. Given the multitude of these variables, market size and demand can experience substantial fluctuations.

In South Korea, the demand for unprocessed gold is primarily driven by two major sectors: jewelry and industrial use. Economic fluctuations, changes in international gold prices, and overall market conditions significantly influence these demands. The demand for jewelry and industrial gold sharply contracted during the rapid economic downturn in 2020 and amid the pandemic crisis. In 2022, with the U.S. Federal Reserve's policy of raising interest rates, economic stagnation ensued, resulting in a significant reduction in unprocessed gold demand compared to the previous year, 2021.





## Opportunities

Due to insufficient raw gold reserves in South Korea, the number of gold mines and consequently the volume (outputs) of the mines have been constantly decreased over the past decade. While there were 45 gold mines existed in 1990, there are only two gold mines in Korea which is owned by Sun Cement, and they are the only firm with production facilities and a workforce; This indicates that the domestic gold production from the mine heavily depends on the output of the Sun Cement mine. Such gradual decline in raw gold production in South Korea leads to an increasing dependence on imports. The total import value of raw gold increased by 40 percent from 750 million USD in 2018 to 1.05 billion USD in 2022.

Furthermore, the current concentration of importing unprocessed gold in only two countries, Australia and Japan, accounting for approximately 85 percent of the total imports, could serve as an opportunity factor for Central American countries when entering the Korean market. Therefore, considering the ongoing decline in domestic production and the inevitable increased dependence on imports in the future, coupled with the concentration of imports from specific countries such as Australia and Japan, it is crucial to leverage market opportunities to strategically target Korean market actively.

Since 2020, there has been a significant shift in the primary exporting country for unprocessed gold from Switzerland to Australia. While the import volume from Switzerland was much higher in 2018 and 2019, the proportion of imports from Australia has been the highest since 2020. Currently, Australia represents 54 percent of the total import of raw gold into South Korea.

The main reason for the substantial increase in imports from Australia is explained by governmental cooperation between South Korea and Australia. In essence, post-pandemic and amid China's policies restricting the export of its minerals, South Korea, seeking alternatives, strategically chose Australia to establish a stable mineral supply network. Such importing landscape demonstrates that the raw gold market in ROK has government-driven characteristics.

Thus, when strategically using the FTA relationship of CA region in tandem with ROK government, the CA suppliers may establish a firm trade partnership with ROK and offer a stability of raw gold supply. Also, the support from the government will offer an advantage to the CA suppliers when competing against other countries.



## Threats

The gold mine production in ROK recorded the highest in 1999 at 25,730 kg and steadily decreased to 128 kg in 2022, with a few ups and downs on the way. Yet, ROK has a robust refinery production capacity of gold for 60 tons per year and depends on the imported raw gold with strong relations with Australia, Japan, and Canada which are the top 3 exporters in bulk to ROK market, accounting for 85% of the total import value. Therefore, when Central American raw gold exporters who try to expand its export to ROK market, price competition between other origin of imported products is expected to be very fierce.





## Business Case

### ROK Market Insights

- ROK market's heavy dependence on import of raw gold
- ROK market's versatile usage of raw gold by different industries

### Niche

- To partner with reputed industry-specific associations to build a business with major raw gold consuming companies

### Cultural Adaptation

- Understand Korean's main usage of raw gold
- Understand Korean consumers' quality and price standard for nonferrous metal

### Strategy Snapshot



- To promote long-term sustainable export of Central American countries' raw gold to ROK market, it is requisite to reinforce cooperative framework between ROK and resource possessing CA countries in a form of Economic Framework and/or Core Mineral Security Partnership.
- To enhance the visibility and exportability of Central American countries' raw gold to ROK market, it is recommended to use and participate in the various B2B promotional campaigns hosted in ROK on the preferential basis.
- To foster a successful and sustainable export of Central American countries' raw gold to ROK market, it is recommended to partner with dependable ROK importers who has long-term relationship with ROK mineral processing companies and final user companies.

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